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If you have sold or transferred all your shares in Zhenro Services Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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zhenro 正榮服務
Zhenro Services Group Limited
正榮服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6958)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Capitalised terms on this cover page shall have the same meanings as those defined in “Definitions” in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 25 to 26 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 49 of this circular.

A notice convening the EGM to be held at 2/F, Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC, on Wednesday, 18 January 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Shareholders who intend to appoint a proxy to attend and vote at the EGM shall complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

All times and dates specified herein refers to Hong Kong local times and dates.

30 December 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In light of the constantly evolving COVID-19 pandemic situation, the Company will implement the following prevention and control measures at the EGM to protect all the participants including Shareholders, their proxies and other non-shareholder personnel (the “**Participants**”) from the risk of infection of COVID-19, including:

- (1) no refreshment will be served either during or after the EGM;
- (2) all Participants shall be subject to compulsory body temperature check at the entrance of the venue and anyone with a body temperature higher than 37.4 degree Celsius will be denied entry to the venue;
- (3) all Participants must comply with the latest epidemic prevention policy requirements of the PRC government and present the corresponding health certificate;
- (4) all Participants are required to wear face masks appropriately and observe good personal hygiene at all times during the whole process of the EGM; and
- (5) the number of Participants in one single venue may be restricted and where necessary, multiple meeting rooms with telecommunication facilities and/or computer devices will be put in use.

To the extent permitted under law, the Company reserves the right to deny entry into the venue or require any person to leave the venue so as to ensure the health and safety of the Participants at the EGM.

In the interests of the health and safety of Shareholders, the Company strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person.

As the COVID-19 pandemic continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government authorities from time to time. Shareholders are advised to check the website of the Stock Exchange at www.hkexnews.com and the website of the Company at www.zhenrowy.com, for further announcements and updates on the EGM arrangements that may be issued.

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“2023 CCT Agreements”	the 2023 Zhenro Properties Agreements and the 2023 Mr. Ou Agreements
“2023 Mr. Ou Agreements”	the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Mr. Ou Management Services Framework Agreement
“2023 Mr. Ou Management Services Framework Agreement”	the management services framework agreement dated 15 November 2022 entered into between the Company and Mr. Ou in relation to the provision of Mr. Ou Management Services by the Group to the Associates of Mr. Ou
“2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated 15 November 2022 entered into between the Company and Mr. Ou in relation to the provision of Mr. Ou Pre-Delivery Services by the Group to the Associates of Mr. Ou
“2023 Zhenro Properties Agreements”	the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement
“2023 Zhenro Properties Management Services Framework Agreement”	the management services framework agreement dated 15 November 2022 entered into between the Company and Zhenro Properties in relation to the provision of Zhenro Properties Management Services by the Group to the Zhenro Properties Group
“2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated 15 November 2022 entered into between the Company and Zhenro Properties in relation to the provision of Zhenro Properties Pre-Delivery Services by the Group to the Zhenro Properties Group
“Announcement”	the announcement of the Company dated 15 November 2022 in relation to the 2023 Mr. Ou Agreements
“associate(s)”	has the meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Associates of Mr. Ou”	associates of Mr. Ou (excluding Zhenro Properties Group but including its associates)
“Board”	the board of Directors
“Company”	Zhenro Services Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 6958)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 2/F, Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC, on Wednesday, 18 January 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the 2023 CCT Agreements and the proposed annual caps contemplated thereunder
“Existing CCT Agreements”	the Existing Zhenro Properties Pre-Delivery Property Management Services Framework Agreement, the Existing Zhenro Properties Management Services Framework Agreement, the Existing Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the Existing Mr. Ou Management Services Framework Agreement
“Existing Mr. Ou Management Services Framework Agreement”	the management services framework agreement dated 18 June 2020 entered into between the Company and Mr. Ou in relation to the provision of Mr. Ou Management Services by the Group to the Associates of Mr. Ou
“Existing Mr. Ou Pre-Delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated 18 June 2020 entered into between the Company and Mr. Ou in relation to the provision of Mr. Ou Pre-Delivery Services by the Group to the Associates of Mr. Ou

DEFINITIONS

“Existing Zhenro Properties Management Services Framework Agreement”	the management services framework agreement dated 31 December 2019 entered into between the Company and Zhenro Properties in relation to the provision of Zhenro Properties Management Services by the Group to the Zhenro Properties Group
“Existing Zhenro Properties Pre-Delivery Property Management Services Framework Agreement”	the pre-delivery property management services framework agreement dated 31 December 2019 entered into between the Company and Zhenro Properties in relation to the provision of Zhenro Properties Pre-Delivery Services by the Group to the Zhenro Properties Group
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors
“Independent Financial Adviser”	Fortune Financial Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the resolutions in respect of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries, and their respective connected persons, ultimate beneficial owner(s) or associate(s)
“Joint Announcement”	the announcement dated 15 November 2022 jointly published by the Company and Zhenro Properties

DEFINITIONS

“Latest Practicable Date”	23 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Ou”	Mr. Ou Zongrong
“Mr. Ou Management Services”	has the same meaning as defined under the paragraph headed “2.4 The 2023 Mr. Ou Management Services Framework Agreement” in this circular
“Mr. Ou Pre-Delivery Services”	has the same meaning as defined under the paragraph headed “2.3 The 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement” in this circular
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of US\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“WeiQiang”	WeiQiang Holdings Limited (偉強控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou Guoqiang, the son of Mr. Ou, as at the Latest Practicable Date
“WeiTian”	WeiTian Holdings Limited (偉天控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the Latest Practicable Date
“WeiYao”	WeiYao Holdings Limited (偉耀控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ou as at the Latest Practicable Date
“WeiZheng”	WeiZheng Holdings Limited (偉正控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Ou as at the Latest Practicable Date
“Zhenro Properties”	Zhenro Properties Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6158)
“Zhenro Properties Group”	Zhenro Properties and its subsidiaries
“Zhenro Properties Management Services”	has the same meaning as defined under the paragraph headed “2.2 The 2023 Zhenro Properties Management Services Framework Agreement” in this circular
“Zhenro Properties Pre-Delivery Services”	has the same meaning as defined under the paragraph headed “2.1 The 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement” in this circular
“%”	per cent

LETTER FROM THE BOARD

ZHENRO 正榮服務

Zhenro Services Group Limited

正榮服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

Executive Directors:

Mr. Lin Xiaotong (*Chief Executive Officer*)

Mr. Kang Hong

Non-Executive Directors:

Mr. Huang Xianzhi (*Chairman*)

Mr. Liu Weiliang

Independent Non-executive Directors:

Mr. Ma Haiyue

Mr. Au Yeung Po Fung

Mr. Zhang Wei

Registered Office:

Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

Principal Place of Business

in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

30 December 2022

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to (i) the Joint Announcement in relation to, among other things, the 2023 Zhenro Properties Agreements; and (ii) the Announcement in relation to the 2023 Mr. Ou Agreements.

The purpose of this circular is to provide the Shareholders with (i) further details of the 2023 CCT Agreements; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) a notice convening the EGM.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to (i) the section headed "Connected Transactions" of the prospectus of the Company dated 29 June 2020 in relation to, among other things, the Existing CCT Agreements.

LETTER FROM THE BOARD

In order to renew the Existing CCT Agreements which will expire on 31 December 2022, on 15 November 2022, (i) the Company and Zhenro Properties entered into the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement in relation to the provision of Zhenro Properties Pre-Delivery Services and Zhenro Properties Management Services respectively by the Group to the Zhenro Properties Group; and (ii) the Company and Mr. Ou entered into the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the Mr. Ou Management Services Framework Agreement in relation to the provision of Mr. Ou Pre-Delivery Services and Mr. Ou Management Services respectively by the Group to the Associates of Mr. Ou.

2.1 The 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement

The principal terms of the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement are set out below:

- Date:** 15 November 2022
- Parties:** (1) the Company (as service provider)
(2) Zhenro Properties (as service recipient)
- Term:** 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
- Subject matter:** The Group has agreed to, where it is selected following the tender processes in accordance with the relevant PRC laws and regulations, provide pre-delivery management services for residential property projects developed by the Zhenro Properties Group before the delivery of such properties to property owners (including but not limited to security, cleaning, landscaping, repair and maintenance of common area and shared facilities) according to the tender documents and definitive management agreements to be entered into between the Group and the Zhenro Properties Group from time to time (collectively, “**Zhenro Properties Pre-Delivery Services**”).

The definitive management agreements to be entered into between the Group and the Zhenro Properties Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement.

LETTER FROM THE BOARD

Pricing policy: The service fees payable by the Zhenro Properties Group to the Group for the Zhenro Properties Pre-Delivery Services shall be determined on arm's length basis and in accordance with the fee quotes to be submitted by the Group under the relevant tender bids, taking into account a wide range of factors such as (i) the nature, size and location of the property projects; (ii) the scope of services to be provided; (iii) the expected operational costs (including labour costs, material costs and administrative costs); (iv) the fees offered by the Group to other Independent Third Parties in respect of comparable services; (v) the fees for similar services and type of projects in the market; and (vi) the pricing terms as recommended by the relevant government authorities, if any.

Payment: Payment for the service fees in respect of Zhenro Properties Pre-Delivery Services shall be settled on terms to be agreed by the parties in accordance with the definitive management agreements to be entered into between the Group and the Zhenro Properties Group on normal commercial terms and in accordance with market practice.

Proposed annual caps:	For the	For the	For the
	year ending	year ending	year ending
	31	31	31
	December	December	December
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Annual cap	20.0	20.0	20.0

The Directors have considered the following factors in arriving at the above proposed annual caps for the transactions contemplated under the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement:

- (i) the historical transaction amounts of service fees in respect of Zhenro Properties Pre-Delivery Services provided by the Group to the Zhenro Properties Group of RMB16.1 million, RMB8.6 million and RMB13.3 million for the two years ended 31 December 2021 and nine months ended 30 September 2022, respectively;

LETTER FROM THE BOARD

- (ii) the expected volume of Zhenro Properties Pre-Delivery Services required to be provided by the Group to the Zhenro Properties Group for the three years ending 31 December 2025, taking into account the current residential property projects that the Zhenro Properties Group has engaged the Group for the provision of Zhenro Properties Pre-Delivery Services, the estimated number of residential property projects and project development plan during such period, the total GFA (for properties under development and properties held for future development); and
- (iii) the expected rate of the service fees to be charged by the Group for provision of the Zhenro Properties Pre-Delivery Services with reference to the percentage of the Zhenro Properties Group's historical pre-delivery management service fees as to its historical annual sales and the guidance rate set by the relevant government authorities.

Based on the existing definitive management agreements entered into between the Group and the Zhenro Properties Group under the Existing Zhenro Properties Pre-Delivery Property Management Services Framework Agreement, payment terms for the service fees in respect of Zhenro Properties Pre-Delivery Services range from monthly payment to be settled by the Zhenro Properties Group before the 10th calendar day of each month of service to yearly payment to be settled by the Zhenro Properties Group before the 10th calendar day of each year of service.

2.2 The 2023 Zhenro Properties Management Services Framework Agreement

The principal terms of the 2023 Zhenro Properties Management Services Framework Agreement are set out below:

- Date:** 15 November 2022
- Parties:**
- (1) the Company (as service provider)
 - (2) Zhenro Properties (as service recipient)
- Term:** 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

LETTER FROM THE BOARD

Subject matter: The Group has agreed to provide management and related services to the residential property projects of the Zhenro Properties Group and the display units, sales offices and community clubhouses as well as commercial properties operated by the Zhenro Properties Group, including but not limited to cleaning, landscaping, concierge, maintenance of public order, security services and other related value-added services to the aforesaid venues according to the definitive management agreements to be entered into between the Group and the Zhenro Properties Group from time to time (collectively, “**Zhenro Properties Management Services**”).

The definitive management agreements to be entered into between the Group and the Zhenro Properties Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Zhenro Properties Management Services Framework Agreement.

Pricing policy: The management fees payable by the Zhenro Properties Group to the Group for the Zhenro Properties Management Services shall be determined on arm’s length basis taking into account a wide range of factors such as (i) the nature, age, infrastructure features, size, location and neighbourhood profile of the property projects; (ii) the scope of services to be provided; (iii) the expected operational costs (including labour costs, material costs and administrative costs); (iv) the fees offered by the Group to other Independent Third Parties in respect of comparable services; and (v) the fees for similar services and type of projects in the market.

Payment: Payment for the service fees in respect of Zhenro Properties Management Services shall be settled on terms to be agreed by the parties in accordance with the definitive management agreements to be entered into between the Group and the Zhenro Properties Group on normal commercial terms and in accordance with market practice.

LETTER FROM THE BOARD

Proposed annual caps:	For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
Annual cap	50.0	50.0	50.0

The Directors have considered the following factors in arriving at the above proposed annual caps for the transactions contemplated under the 2023 Zhenro Properties Management Services Framework Agreement:

- (i) the historical transaction amounts of service fees in respect of Zhenro Properties Management Services provided by the Group to the Zhenro Properties Group of RMB232.1 million, RMB259.0 million and RMB74.6 million for the two years ended 31 December 2021 and nine months ended 30 September 2022, respectively;
- (ii) the expected volume of Zhenro Properties Management Services required to be provided by the Group to the Zhenro Properties Group for the three years ending 31 December 2025, taking into account the property projects that the Zhenro Properties Group has engaged the Group for the provision of the Zhenro Properties Management Services and the estimated number of residential projects and the project development plan of the Zhenro Properties Group during such period and the total GFA (for properties under development and properties held for future development);
- (iii) the expected rate of the service fees to be charged by the Group for provision of the Zhenro Properties Management Services with reference to the percentage of the historical management service fees as to the Zhenro Properties Group's historical annual sales, geographical locations, facilities and human resources allocation of the relevant display units, sales offices and community clubhouses; and
- (iv) the expected decrease in demand for the Zhenro Properties Management Services as a result of the disposal of certain residential projects, the expected decrease in the number of residential projects to be invested and developed by the Zhenro Properties Group.

Based on the existing definitive management agreements entered into between the Group and the Zhenro Properties Group under the Existing Zhenro Properties Management Services Framework Agreement, payment for the service fees in respect of Zhenro Properties Management Services shall be settled by the Zhenro Properties Group within 15 to 30 working days from the date of invoice.

LETTER FROM THE BOARD

2.3 The 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement

The principal terms of the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement are set out below:

- Date:** 15 November 2022
- Parties:** (1) the Company (as service provider)
(2) Mr. Ou (as service recipient)
- Term:** 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
- Subject matter:** The Group has agreed to, where it is selected following the tender processes in accordance with the relevant PRC laws and regulations, provide pre-delivery property management services for residential property projects developed by the Associates of Mr. Ou before the delivery of such properties to property owners (including but not limited to security, cleaning, landscaping, repair and maintenance of common area and shared facilities) according to the tender documents and definitive management agreements to be entered into between the Group and the Associates of Mr. Ou from time to time (collectively, “**Mr. Ou Pre-Delivery Services**”).
- The definitive management agreements to be entered into between the Group and the Associates of Mr. Ou shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement.
- Pricing policy:** The service fees payable by the Associates of Mr. Ou to the Group for the Mr. Ou Pre-Delivery Services shall be determined on arm’s length basis and in accordance with the fee quotes to be submitted by the Group under the relevant tender bids, taking into account various factors such as (i) the nature, size and location of the property projects; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including labour costs, material costs and administrative costs); (iv) the fees generally offered by the Group to other Independent Third Parties in respect of comparable services; (v) the fees for similar services and type of projects in the market; and (vi) the pricing terms as recommended by the relevant government authorities, if any.
- Payment:** Payment for the service fees in respect of Mr. Ou Pre-Delivery Services shall be settled on terms to be agreed by the parties in accordance with the definitive management agreements to be entered into between the Group and the Associates of Mr. Ou on normal commercial terms and in accordance with market practice.

LETTER FROM THE BOARD

Proposed annual caps:	For the year ending 31 December 2023 (RMB million)	For the year ending 31 December 2024 (RMB million)	For the year ending 31 December 2025 (RMB million)
Annual cap	3.0	3.0	3.0

The Directors have considered the following factors in arriving at the above proposed annual caps for the transactions contemplated under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement:

- (i) the historical transaction amounts of services fees in respect of Mr. Ou Pre-Delivery Services provided by the Group to the Associates of Mr. Ou of RMB1.0 million, RMB2.8 million and RMB2.0 million for the two years ended 31 December 2021 and for the nine months ended 30 September 2022, respectively, and the overall trend of the pre-delivery services;
- (ii) the expected volume of Mr. Ou Pre-Delivery Services required to be provided by the Group to the Associates of Mr. Ou for the three years ending 31 December 2025, taking into account the current residential property projects that the Associates of Mr. Ou have engaged the Group as pre-delivery property management service provider, the estimated number of residential property projects that the Associates of Mr. Ou may engage the Group as pre-delivery property management service provider for the three years ending 31 December 2025 with reference to the total GFA under development of the Associates of Mr. Ou; and
- (iii) the expected rate of the service fees to be charged by the Group for the provision of Mr. Ou Pre-Delivery Services with reference to the percentage of the historical pre-delivery management service fees of the Associates of Mr. Ou to their historical annual sales and the guidance rate set by the relevant government authorities.

Based on the existing definitive management agreements entered into between the Group and the Associates of Mr. Ou under the Existing Mr. Ou Pre-Delivery Property Management Services Framework Agreement, payment terms for the service fees in respect of Mr. Ou Pre-Delivery Services range from monthly payment to be settled by the Associates of Mr. Ou before the 10th calendar day of each month of service to yearly payment to be settled by the Associates of Mr. Ou before the 10th calendar day of each year of service.

LETTER FROM THE BOARD

2.4 The 2023 Mr. Ou Management Services Framework Agreement

The principal terms of the 2023 Mr. Ou Management Services Framework Agreement are set out below:

- Date:** 15 November 2022
- Parties:** (1) the Company(as service provider)
(2) Mr. Ou (as service recipient)
- Term:** 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
- Subject matter:** The Group has agreed to provide management and related services to the residential property projects of the Associates of Mr. Ou and their display units, sales offices and community clubhouses as well as commercial properties (including office) operated or occupied by the Associates of Mr. Ou and other properties held by them for potential projects, including but not limited to cleaning, landscaping, concierge, maintenance of public order, security services and other related value-added services to the aforesaid venues according to the definitive management agreements to be entered into between the Group and the Associates of Mr. Ou from time to time (collectively, “**Mr. Ou Management Services**”).
- The definitive management agreements to be entered into between the Group and the Associates of Mr. Ou shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the 2023 Mr. Ou Management Services Framework Agreement.
- Pricing policy:** The management fees payable by the Associates of Mr. Ou to the Group for the Mr. Ou Management Services shall be determined on arm’s length basis taking into account various factors such as (i) the nature, age, infrastructure features, size, location and neighbourhood profile of the properties or property projects; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including labour costs, material costs and administrative costs); (iv) the fees generally offered by the Group to other Independent Third Parties in respect of comparable services; and (v) the fees for similar services and type of properties or property projects in the market.
- Payment:** Payment for the service fees in respect of Mr. Ou Management Services shall be settled on terms to be agreed by the parties in accordance with the definitive management agreements to be entered into between the Group and the Associates of Mr. Ou on normal commercial terms and in accordance with market practice.

LETTER FROM THE BOARD

Proposed annual caps:	For the	For the	For the
	year ending	year ending	year ending
	31	31	31
	December	December	December
	2023	2024	2025
	(RMB	(RMB	(RMB
	million)	million)	million)
Annual cap	25.0	25.0	25.0

The Directors have considered the following factors in arriving at the above proposed annual caps for the transactions contemplated under the 2023 Mr. Ou Management Services Framework Agreement:

- (i) the historical transaction amounts of service fees in respect of Mr. Ou Management Services provided by the Group to the Associates of Mr. Ou of RMB59.8 million, RMB94.5 million and RMB30.1 million for the two years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, and the overall trend of the management services;
- (ii) the expected volume of Mr. Ou Management Services required to be provided by the Group to the Associates of Mr. Ou in relation to the residential property projects under development by the Associates of Mr. Ou and commercial properties operated or occupied by the Associates of Mr. Ou and other properties held by them for potential projects for the three years ending 31 December 2025, with reference to the total GFA under development and available for sale; and
- (iii) the expected rate of the service fees to be charged by the Group for the provision of the Mr. Ou Management Services with reference to historical services fee charged under the Existing Mr. Ou Management Services Framework Agreement, the percentage of the historical management service fees as to the historical annual sales of the Associates of Mr. Ou, geographical locations, facilities, human resources allocation of the relevant display units, sales offices and community clubhouses and scope of services.

Based on the existing definitive management agreements entered into between the Group and the Associates of Mr. Ou under the Existing Mr. Ou Management Services Framework Agreement, payment for the service fees in respect of Mr. Ou Management Services shall be settled by the Associates of Mr. Ou within 15 to 30 working days from the date of invoice.

LETTER FROM THE BOARD

3. INTERNAL CONTROL MEASURES FOR CONTINUING CONNECTED TRANSACTIONS

- (1) The finance department of the Company will regularly examine the pricing terms by collecting relevant market information, and conduct periodic review on the historical and current quotations offered to Independent Third Parties. In order to ensure that the terms of the continuing connected transactions conducted under the 2023 CCT Agreements are on normal commercial terms and on terms not more favourable to the Associates of Mr. Ou or Zhenro Properties Group (as the case may be) than those offered to Independent Third Parties by the Group, before entering into any of the definitive agreements under the 2023 CCT Agreements, the finance department of the Company will obtain at least two comparable transactions conducted between the Group and Independent Third Parties. The relevant definitive agreement together with the relevant supporting documents will be approved by the risk management and compliance department of the Company.
- (2) The finance department of the Company is responsible for conducting inspections, review and evaluation on a monthly basis on whether the amounts of connected transactions are maintained within their respective annual caps.
- (3) The finance department of the Company must submit a summary of the connected transactions of the Group to the risk management and compliance department of the Company for review. Reports on connected transactions will be submitted to the management of the Company for review every six months and at the end of the year.
- (4) A designated personnel from the finance department of the Company will monitor the aggregate transaction amount to assess whether the annual cap under the respective agreement may be exceeded. If the transaction amount reaches 80% of the annual cap set under the respective agreement, the designated personnel will promptly inform the general manager of the finance department of the Company in order to assess whether it is necessary to revise the annual cap in accordance with the relevant provisions of the Listing Rules.
- (5) The senior management of the Company is responsible for supervising and monitoring the adoption of the internal control procedures to ensure that the implementation of the pricing policy is in compliance with the respective agreement and the actual transaction amount is within the respective annual cap.
- (6) The independent non-executive Directors will conduct annual reviews with respect to the transactions contemplated under the 2023 CCT Agreements and confirm in the annual report, whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and in accordance with the 2023 CCT Agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (7) The external auditors of the Company will conduct annual review on the transactions contemplated under the 2023 CCT Agreements in accordance with the Listing Rules.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 CCT AGREEMENTS

4.1 The 2023 Zhenro Properties Agreements

The Group has been, in its ordinary and usual course of business, providing the Zhenro Properties Pre-Delivery Services and Zhenro Properties Management Services for the property projects of the Zhenro Properties Group for a number of years.

Based on the established long-term cooperation relationship, the Group has gained thorough understanding of the conditions of the Zhenro Properties Group's residential and commercial property projects, and is familiarized with the Zhenro Properties Group's strategy and requirements. The entering into the 2023 Zhenro Properties Agreements is conducive to continuous business stability of the Group and is expected to generate stable income for the Group.

Given the reasons above, taking into consideration the pricing policies and the internal control measures that Company has in place, the Directors (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) are of the view that the 2023 Zhenro Properties Agreements were entered into in the ordinary and usual course of business of the Group, and the terms of the 2023 Zhenro Properties Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Huang Xianzhi and Mr. Liu Weiliang is an executive director of Zhenro Properties and a non-executive Director of the Company. As a good corporate governance practice, Mr. Huang Xianzhi and Mr. Liu Weiliang had abstained from voting on the relevant resolutions of the Board approving the 2023 Zhenro Properties Agreements.

Save for the aforesaid, none of the other Directors had or may be regarded as having a material interest in the 2023 Zhenro Properties Agreements and the transactions contemplated thereunder, and therefore none of the other Directors had abstained from voting on the relevant resolutions approving the 2023 Zhenro Properties Agreements.

4.2 The 2023 Mr. Ou Agreements

The Group has been, in its ordinary and usual course of business, providing the Mr. Ou Pre-Delivery Services and Mr. Ou Management Services for the property projects of the Associates of Mr. Ou for a number of years.

Based on the established long-term cooperation relationship, the Group has gained thorough understanding of the conditions of the property projects of the Associates of Mr. Ou, and is familiarized with the strategy and requirements of the Associates of Mr. Ou. The entering into the 2023 Mr. Ou Agreements is conducive to continuous business stability of the Group and is expected to generate stable income for the Group.

LETTER FROM THE BOARD

Given the reasons above, taking into consideration the pricing policies and the internal control measures that the Company has in place, the Board (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) are of the view that the 2023 Mr. Ou Agreements were entered into in the ordinary and usual course of business of the Group, and the terms of the 2023 Mr. Ou Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Huang Xianzhi and Mr. Liu Weiliang is an executive director of Zhenro Properties and a non-executive Director of the Company. As Zhenro Properties is an associate of Mr. Ou, as a good corporate governance practice, Mr. Huang Xianzhi and Mr. Liu Weiliang had voluntarily abstained from voting on the relevant resolutions of the Board approving the 2023 Mr. Ou Agreements.

Save for the aforesaid, none of the other Directors had or may be regarded as having a material interest in the 2023 Mr. Ou Agreements and the transactions contemplated thereunder and, and therefore none of the other Directors had abstained from voting on the relevant resolutions approving the 2023 Mr. Ou Agreements.

5. INFORMATION ON THE PARTIES

5.1 The Company

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and commercial operational management services. The ultimate controlling shareholder of the Company is Mr. Ou.

5.2 Zhenro Properties Group

Zhenro Properties is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. Zhenro Properties is an investing holding company. The Zhenro Properties Group is principally engaged in property development, property leasing and commercial property management. The ultimate controlling shareholder of Zhenro Properties is Mr. Ou.

5.3 Mr. Ou

Mr. Ou is the controlling shareholder of the Company.

LETTER FROM THE BOARD

6. SUPPLEMENTARY INFORMATION WITH RESPECT TO THE ZHENRO PROPERTIES GROUP, MR. OU AND THE ASSOCIATES OF MR. OU

As a result of the continuous in-depth adjustment of the real estate industry, compounded by the recurring novel coronavirus pandemic and the cautious sentiment affecting the property sector and capital markets, in general, property developers in China would take longer to sell their properties and are facing with challenges in obtaining additional financing to meet existing repayment obligations and to finance new property projects. The Company noted from the announcement of Zhenro Properties dated 9 November 2022 that Zhenro Properties has been under liquidity pressure, and that it was not able to make payment of certain offshore senior notes.

The Company further noted that certain shares of Zhenro Properties ultimately owned by Mr. Ou had been transferred to a third party on 21 November 2022 as a result of a forced sale of shares as disclosed in the announcement of Zhenro Properties dated 22 November 2022.

In light of the unfavourable market factors affecting the property industry in China, the Group continues to carefully manage its business relationship with its customers and has adjusted the credit periods of certain customers (the “**Adjustments**”), including the Zhenro Properties Group and the Associates of Mr. Ou, where appropriate, taking into account the prevailing market conditions, the Group’s risk assessments and operating conditions, and the business relationship with and track record of such customers. Despite that the Group will take longer to collect the accounts receivable from its customers under the Adjustments, these customers are all property developers who have long established relationship with the Group, with ongoing property projects and have been making regular payments to the Group. The grant of longer credit periods to these customers could temporarily relieve their liquidity pressure and preserve the business relationship with them for the long term business development of the Group. As the Adjustments were made to certain customers including the Zhenro Properties Group, the Associates of Mr. Ou and other Independent Third Parties under similar circumstances and with reference to the same set of consideration factors as outlined above, the Board considers that the Adjustments made in respect of the Zhenro Properties Group and the Associates of Mr. Ou are on terms that are not more favourable to the Zhenro Properties Group and the Associates of Mr. Ou than terms offered to other Independent Third Parties by the Group.

Under such background, the Group has been monitoring and following up on the settlement of the outstanding receivables owed by the Zhenro Properties Group and the Associates of Mr. Ou to the Group, and the Zhenro Properties Group and the Associates of Mr. Ou have been cooperating with the Group and gradually making payments to the Group in order to clear the outstanding receivables owed to the Group.

LETTER FROM THE BOARD

The gross amount of accounts receivable owed by the Zhenro Properties Group and the Associates of Mr. Ou, and an aging analysis on such receivables, as at 30 September 2022 are set forth below:

	As at 30 September 2022	
	(unaudited)	
	Gross amount of	Aging
	accounts receivable	
	<i>(RMB'000)</i>	
The Zhenro Properties Group	179,752	Within one year
The Associates of Mr. Ou	84,746	Within one year

Although the PRC property industry has been affected by market downturn and liquidity constraints in recent months, and the Zhenro Properties Group and the Associates of Mr. Ou have been under liquidity pressure, the Directors consider that it is still beneficial for the Group to continue the business relationship with the Zhenro Properties Group and the Associates of Mr. Ou and the payment risks arising from such continuing business relationship is acceptable taking into account the following factors:

- (1) As disclosed in the interim report of Zhenro Properties for the six months ended 30 June 2022, the Zhenro Properties Group had cash and bank balances of approximately RMB14.2 billion as at 30 June 2022. A majority of the members of the Associates of Mr. Ou are joint ventures or associated companies of Zhenro Properties in which Zhenro Properties had less than 50% equity interests. The total outstanding amounts due from Zhenro Properties Group and the Associates of Mr. Ou as at 30 September 2022 as disclosed above, together with the aggregate amount of the proposed annual caps of RMB98.0 million under the 2023 CCT Agreements for the year ending 31 December 2023, in aggregate, would only account for approximately 2.6% of the cash and bank balances of the Zhenro Properties Group as at 30 June 2022.
- (2) The Group has reviewed the respective property portfolios and project pipelines of the Zhenro Properties Group and the Associates of Mr. Ou. It is noted that the contracted sales of the Zhenro Properties Group, together with its joint ventures and associates, which also included the Associates of Mr. Ou, amounted to approximately RMB 30.883 billion for the eleven months ended 30 November 2022 as disclosed in the announcement of Zhenro Properties dated 8 December 2022.
- (3) The Group has been closely monitoring the outstanding receivable balances with the Zhenro Properties Group and the Associates of Mr. Ou and will continue to do so. As of the Latest Practicable Date, there had not been any dispute on the outstanding amounts due from the Zhenro Properties Group and the Associates of Mr. Ou. The Zhenro Properties Group and the Associates of Mr. Ou had made regular payments to the Group under the Existing CCT Agreements and have undertaken to the Group

LETTER FROM THE BOARD

to continue to do so. In addition, the Group will strive to request the Zhenro Properties Group and the Associates of Mr. Ou to make payments in accordance with the individual definitive agreements as may be entered from time to time under the 2023 CCT Agreements and will closely monitor the payment progress.

- (4) The Group, the Zhenro Properties Group and the Associates of Mr. Ou believe that the development direction as indicated at the recent 20th National Congress of the Communist Party of China of improving people's quality of life, coupled with measures to ensure steady and orderly growth of real estate financing and increase financial support for housing leasing, would help to recover the confidence in the real estate industry in China. With policy support and given sufficient time, the Group believes that the Zhenro Properties Group and the Associates of Mr. Ou will be able to accelerate their property sales and cash collection and obtain new financings to support its operation and to meet its payment obligations, which will put the Zhenro Properties Group and the Associates of Mr. Ou back on track to catch up with all outstanding payments under the Existing CCT Agreements and to honour the payment obligations under the 2023 CCT Agreements.

7. IMPLICATIONS UNDER THE LISTING RULES

7.1 The 2023 Zhenro Properties Agreements

As at the Latest Practicable Date, Zhenro Properties and the Company were indirectly owned as to approximately 45.73% and approximately 38.86% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of each of Zhenro Properties and the Company. Accordingly, members of the Zhenro Properties Group, being associates of Mr. Ou, are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the 2023 Zhenro Properties Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for each of the 2023 Zhenro Properties Agreements exceed(s) 5%, each of the 2023 Zhenro Properties Agreements is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7.2 The 2023 Mr. Ou Agreements

As at the Latest Practicable Date, the Company was indirectly owned as to approximately 38.86% by Mr. Ou. Mr. Ou and his associates are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under each of the 2023 Mr. Ou Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In respect of the 2023 Mr. Ou Pre-Delivery Properties Management Services Framework Agreement

Since the pre-delivery property management services to be provided by the Group under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement are similar in nature, the transactions contemplated under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest amount of the annual cap for the transactions contemplated under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement, when aggregated with the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement, exceed(s) 5%, the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the 2023 Mr. Ou Management Services Framework Agreement

Since the management services to be provided by the Group under the 2023 Mr. Ou Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement are similar in nature, the transactions contemplated under the 2023 Mr. Ou Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest amount of the annual cap for the transactions contemplated under the 2023 Mr. Ou Management Services Framework Agreement, when aggregated with the 2023 Zhenro Properties Management Services Framework Agreement, exceed(s) 5%, the 2023 Mr. Ou Management Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. GENERAL

The Company has established the Independent Board Committee comprising all three independent non-executive Directors to advise the Independent Shareholders as to whether the terms of each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the

LETTER FROM THE BOARD

Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Fortune Financial Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

9. EGM

A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by way of poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for the EGM is enclosed herewith. Shareholders who intend appoint a proxy to attend and vote the EGM shall complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, associates of Mr. Ou, namely, WeiZheng, WeiYao, WeiTian and WeiQiang, who hold an aggregate of 460,919,832 Shares as at the Latest Practicable Date, shall abstain from voting on the resolution approving each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder at the EGM. Save as disclosed above, as at the Latest Practicable Date, none of the other Shareholders will be required to abstain from voting on the resolutions in respect of the 2023 CCT Agreements at the EGM.

10. RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of each of the 2023 CCT Agreements and the respective transactions and proposed annual caps contemplated thereunder are entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder at the EGM.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular, the letter from the Independent Financial Adviser set out on pages 27 to 49 of this circular, and the general information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Zhenro Services Group Limited
Huang Xianzhi
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee, prepared for the purpose of inclusion in this circular from the Independent Board Committee to the Independent Shareholders regarding the 2023 CCT Agreements.

zhenro 正榮服务
Zhenro Services Group Limited
正榮服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6958)

30 December 2022

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 30 December 2022 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder are fair and reasonable, and whether the respective transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

Fortune Financial Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2023 CCT Agreements and the proposed annual caps contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 27 to 49 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 24 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We note that the Group has made adjustments to the credit periods of certain customers (the “**Adjustments**”) including the Zhenro Properties Group, the Associates of Mr. Ou and other Independent Third Parties in light of the unfavourable market factors affecting the entire property industry in China. Having considered the information contained in the letter from the Board regarding the Adjustments, we consider the Adjustments made were fair and reasonable and in the interest of the Company and the Shareholders as a whole and on normal commercial terms.

Having considered the information as set out in the letter from the Board, the terms of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the terms of each of the 2023 CCT Agreements and the respective transactions and proposed annual caps contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder to be proposed at the EGM.

Yours faithfully

For and on behalf of the Independent Board Committee of
Zhenro Services Group Limited

Mr. Ma Haiyue
Independent
non-executive Director

Mr. Au Yeung Po Fung
Independent
non-executive Director

Mr. Zhang Wei
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Fortune Financial Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders regarding the 2023 CCT Agreements.

4102-06, 41/F, COSCO Tower
183 Queen's Road Central
Hong Kong



30 December 2022

To the Independent Board Committee and the Independent Shareholders

Zhenro Services Group Limited
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2023 CCT Agreements and the transactions contemplated thereunder (including the annual caps) (“**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

As stated in the Letter from the Board, references are made to the section headed “Connected Transactions” of the prospectus of the Company dated 29 June 2020 in relation to, among other things, the Existing CCT Agreements. On 31 December 2019, the Company and Zhenro Properties entered into the Existing Zhenro Properties Pre-Delivery Property Management Services Framework Agreement and the Existing Zhenro Properties Management Services Framework Agreement, and on 18 June 2020, the Company and Mr. Ou entered into the Existing Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the Existing Mr. Ou Management Services Framework Agreement. In order to renew the Existing CCT Agreements and the Existing Mr. Ou Agreements which will expire on 31 December 2022, on 15 November 2022, (i) the Company and Zhenro Properties entered into the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

relation to the provision of Zhenro Properties Pre-Delivery Services and Zhenro Properties Management Services respectively by the Group to the Zhenro Properties Group; and (ii) the Company and Mr. Ou entered into the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the Mr. Ou Management Services Framework Agreement in relation to the provision of Mr. Ou Pre-Delivery Services and Mr. Ou Management Services respectively by the Group to the Associates of Mr. Ou.

LISTING RULES IMPLICATIONS

The 2023 Zhenro Properties Agreements

As at the Latest Practicable Date, Zhenro Properties and the Company were indirectly owned as to approximately 49.39% and approximately 38.86% by Mr. Ou, respectively. Mr. Ou is therefore the controlling shareholder of each of Zhenro Properties and the Company. Accordingly, members of the Zhenro Properties Group, being associates of Mr. Ou, are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the 2023 Zhenro Properties Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual cap for each of the 2023 Zhenro Properties Agreements exceed(s) 5%, each of the 2023 Zhenro Properties Agreements is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2023 Mr. Ou Agreements

As at the Latest Practicable Date, the Company was indirectly owned as to approximately 38.86% by Mr. Ou. Mr. Ou and his associates are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under each of the 2023 Mr. Ou Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In respect of the 2023 Mr. Ou Pre-Delivery Properties Management Services Framework Agreement

Since the pre-delivery property management services to be provided by the Group under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement are similar in nature, the transactions contemplated under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest amount of the annual cap for the transactions contemplated under the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement, when aggregated with the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement, exceed(s) 5%, the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the 2023 Mr. Ou Management Services Framework Agreement

Since the management services to be provided by the Group under the 2023 Mr. Ou Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement are similar in nature, the transactions contemplated under the 2023 Mr. Ou Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in relation to the highest amount of the annual cap for the transactions contemplated under the 2023 Mr. Ou Management Services Framework Agreement, when aggregated with the 2023 Zhenro Properties Management Services Framework Agreement, exceed(s) 5%, the 2023 Mr. Ou Management Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to, among other matters, (i) whether the terms of each of the 2023 CCT Agreements and the proposed annual caps contemplated thereunder are fair and reasonable, (ii) whether the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole, and (iii) to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, the Zhenro Properties Group, Mr. Ou or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted in the capacity as financial adviser or as an independent financial adviser or in any other capacity to the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Zhenro Properties Group, Mr. Ou or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 31 December ("FY") 2021 (the "**2021 Annual Report**");
- (ii) the Company's annual report for FY2020 (the "**2020 Annual Report**");
- (iii) the Company's interim report for the six months ended 30 June ("**6M**") 2022 (the "**2022 Interim Report**");
- (iv) the Company's interim report for 6M2021 (the "**2021 Interim Report**");
- (v) the 2023 CCT Agreements; and
- (vi) other information as set out in the Circular.

We have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group (the "**Management**"). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Directors. We have assumed that (i) all statements, information and representations provided by the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no

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material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Continuing Connected Transactions. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, the Zhenro Properties Group, Mr. Ou, or their respective subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the 2023 CCT Agreements and the Continuing Connected Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2023 CCT Agreements and the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

As disclosed in the Letter from the Board, the Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and commercial operational management services. The ultimate controlling shareholder of the Company is Mr. Ou.

As disclosed in the Company's interim report 2022, the management of the Group (the "Management") believes that its property management service business line serves as the basis for the Group to generate revenue, expand its business scale, and increase its customer base for its community value-added services to property owners and residents while the value-added services to non-property owners help it gain early access to property development projects and establish and cultivate business relationships with the property developers, giving the Group a competitive advantage in securing engagements for property management services.

The following is a summary of the financial results of the Group for each of FY2020, FY2021, 6M2021 and 6M2022 as extracted from the 2021 Annual Report and the 2022 Interim Report:

Table 1: Highlights of the financial results of the Group

	FY2020	FY2021	6M2021	6M2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue				
– Property management services	486,794	658,328	326,578	354,967
– Value-added services to non-property owners	415,299	371,221	242,473	104,292
– Community value-added services	200,659	264,494	115,161	84,014
– Commercial operational management services	–	41,745	–	62,525
Gross profit	383,375	428,111	237,803	193,085
Profit before income tax	236,693	233,287	140,921	7,441
Profit attributable to the owners of the parent	171,647	174,578	101,075	8,369

Sources: the 2021 Annual Report and the 2022 Interim Report

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6M2022 compared to 6M2021

The revenue of the Group decreased by approximately RMB78.4 million or 11.5% from approximately RMB684.2 million to approximately RMB605.8 million. According to the 2022 Interim Report, the decrease in revenue was mainly due to (i) decrease in revenue from value-added services to non-property owners by approximately RMB138.2 million or 57.0% mainly due to the decreased demand for services such as sales assistance services and additional tailored services in the projects developed by the Group and the partner property developers; and (ii) decrease in revenue from community value-added services by approximately RMB31.1 million or 27.0% mainly due to the decreased demand for real estate brokerage services related to parking spaces in the projects under management, which was partly offset by (i) the increase in revenue from property management services by approximately RMB28.4 million or 8.7%; and (ii) the increase in revenue from commercial operational management services by approximately RMB62.5 million since the Group's acquisition of Zhenro Commercial Management Co., Ltd. ("**Zhenro Commercial Management**") in 2021.

The Group's gross profit decreased by approximately 18.8% from approximately RMB237.8 million for 6M2021 to approximately RMB193.1 million for 6M2022. During 6M2022, which was in line with the drop of the Group's revenue. The Group's profit attributable to owners of the parent was approximately RMB8.4 million, representing a decrease of approximately 91.7% as compared with approximately RMB101.1 million for the same period in 2021 which was due to the decrease in revenue as aforementioned and the net impairment losses on financial assets amounted and fair value losses on investment properties amounted to approximately RMB90.1 million and RMB26.6 million incurred during the period.

FY2021 compared to FY2020

During FY2021, the Group's revenue amounted to approximately RMB1,335.8 million, representing an increase of approximately 21.1% compared with RMB1,102.8 million in the same period of 2020. Revenue from property management services reached approximately RMB658.3 million in FY2021, accounting for 49.3% of the total revenue of the Group. Such revenue growth was attributable to the rapid growth of GFA under management, which was due to the Group's continuous cooperation with Zhenro Properties Group and its commitment to expanding the third-party customers base. The decrease in value-added services to non-property owners was mainly due to the substantial decrease in the demand for services such as sales assistance services and additional tailored services. The increase in revenue from community value-added services was mainly due to the increase in GFA under management and the increased demand for real estate brokerage services related to parking spaces. During FY2021, the Group acquired Zhenro Commercial Management and started to provide commercial operational management services to the tenants and the customers, which primarily include (i) brand and management output services; and (ii) sublease services.

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The following is a summary of the financial positions of the Group as at 31 December 2020, 31 December 2021 and 30 June 2022, as extracted from the 2021 Annual Report and the 2022 Interim Report:

Table 2: Highlights of the financial positions of the Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Non-current assets	145,325	1,076,026	1,032,844
Current assets	1,830,355	1,442,542	1,315,251
Non-current liabilities	29,761	165,118	112,781
Current liabilities	562,283	880,149	776,091
Net asset	1,383,636	1,473,301	1,459,223

Sources: the 2021 Annual Report and the 2022 Interim Report

For the financial position of the Group, as at 30 June 2022, the Group's non-current assets amounted to approximately RMB1,032.8 million which mainly consist of (i) investment properties of approximately RMB123.2 million and (ii) goodwill of approximately RMB766.6 million. The Group's current assets amounted to approximately RMB1,315.3 million which mainly consist of (i) trade receivables of approximately RMB328.9 million, (ii) due from related companies of approximately RMB167.7 million, (iii) prepayments, deposits and other receivables of approximately RMB101.3 million and (iv) cash and cash equivalents of approximately RMB669.9 million. The major liabilities of the Group include (i) trade receivables of approximately RMB196.2 million, (ii) other payables and accruals of approximately RMB367.5 million and (iii) interest-bearing bank borrowings of approximately RMB96.3 million. As set out in the table above, the Group net assets remained stable as at 31 December 2021 and 30 June 2022.

2. Background information of Zhenro Properties Group

As disclosed in the Letter from the Board, Zhenro Properties is an investing holding company, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6158). The Zhenro Properties Group is principally engaged in property development, property leasing and commercial property management as at the Latest Practicable Date. The ultimate controlling shareholder of Zhenro Properties is Mr. Ou.

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As disclosed in the Zhenro Properties Annual Report 2021, Zhenro Properties Group was the top 20 China Real Estate Developers* (中國房地產開發企業) conferred by China Real Estate Association* (中國房地產業協會) in 2021. According to China Index Academy (the “CIA”), Zhenro Properties Group was ranked 18th among the PRC’s Top 100 Real Estate Developers* (中國房地產百強企業) in 2021 in terms of overall strength including but not limited to, business scale, financial performance, quality of services, potential development and social responsibility.

The following is a summary of the financial positions of the Zhenro Properties Group as at 31 December 2020, 31 December 2021 and 30 June 2022, as extracted from the Zhenro Properties Annual Report 2021 and the Zhenro Properties Interim Report 2022:

Table 3: Highlights of the financial positions of Zhenro Properties Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	22,145,787	27,030,605	24,012,749
Current assets	199,239,714	226,811,001	196,804,709
Non-current liabilities	51,523,998	41,365,530	33,908,593
Current liabilities	132,258,549	171,533,565	153,258,619
Net asset	37,602,954	40,942,511	33,650,246

Sources: Zhenro Properties Annual Report 2021 and the Zhenro Properties Interim Report 2022

As at 30 June 2022, Zhenro Properties Group’s non-current assets amounted to approximately RMB24,012.7 million which mainly consist of (i) investments in associates of approximately RMB9,430.0 million, (ii) investment properties of approximately RMB8,804.7 million and (iii) investments in joint ventures of approximately RMB2,235.4 million. Zhenro Properties Group’s current assets amounted to approximately RMB196,804.7 million which mainly consist of (i) properties under development of approximately RMB123,586.7 million and (ii) prepayments, other receivables and other assets of approximately RMB29,630.8 million. The major liabilities of Zhenro Properties Group include (i) contract liabilities of approximately RMB83,483.0 million, (ii) interest-bearing bank loans and other borrowings of approximately RMB34,572.5 million, (iii) trade and bills payables of approximately RMB17,545.9 million and (iv) senior notes of approximately RMB14,459.9 million. As set out in the table above, Zhenro Properties Group’s net assets decreased from RMB40,942.5 million as at 31 December 2021 and to approximately RMB33,650.2 million as at 30 June 2022. As disclosed in the Letter from the Board, the Company noted from the announcement of Zhenro Properties dated 9 November 2022 that Zhenro Properties has been under liquidity pressure, and that it was not able to make payment of certain senior notes. For further details and the additional due diligence work done by the Board in light of Zhenro Properties Group’s latest development, please refer to the section headed “Supplementary Information with respect to Zhenro Properties Group, Mr. Ou and Associates Of Mr. Ou” in the Letter from Board.

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3. Background information of Mr. Ou

Mr. Ou is the controlling shareholder of the Company.

As stated in the Letter from the Board, a majority of the members of the Associates of Mr. Ou are joint ventures or associated companies of Zhenro Properties, where Zhenro Properties had equity interests less than 50%. It is noted that the contracted sales of the Zhenro Properties Group, together with its joint ventures and associates, which also included the Associates of Mr. Ou, amounted to approximately RMB30.883 billion for the eleven months ended 30 November 2022 as disclosed in the announcement of Zhenro Properties dated 8 December 2022. It is noted that certain shares of Zhenro Properties ultimately owned by Mr. Ou had been transferred to a third party on 21 November 2022 as a result of forced sale of such sales as disclosed in the announcement of Zhenro Properties dated 22 November 2022. For further details and the additional due diligence work done by the Board in light of Mr. Ou's latest development, please refer to the section headed "Supplementary Information with respect to Zhenro Properties Group, Mr. Ou and Associates Of Mr. Ou" in the Letter from Board.

Despite the latest financial position of Zhenro Properties Group and the financial strength of Mr. Ou may not be the most favourable in the market, having considered (i) the background information and gross amount of accounts receivable owed by the Zhenro Properties Group and the Associates of Mr. Ou to the Group; and (ii) the factors considered by the Directors in assessing the business relationship with the Zhenro Properties Group and the Associates of Mr. Ou and the payment risks arising thereunder as disclosed under the section headed "6. Supplementary Information with respect to the Zhenro Properties Group, Mr. Ou and the Associate of Mr. Ou" in the Letter from the Board and obtained and reviewed confirmation and/or records as provided by the management of the Company on (i) the outstanding receivable balances with the Zhenro Properties Group and the Associates of Mr. Ou; (ii) there had not been dispute on the outstanding amount due between parties; (iii) regular payments made to the Group by the Zhenro Properties Group and the Associates of Mr. Ou; and (iv) the Zhenro Properties Group and the Associates of Mr. Ou's undertaking in relation to fulfilling the outstanding payment obligation and making payments on time, we do not notice the existence of material uncertainty that may cast doubt on the recoverability of the receivables from the Zhenro Properties Group and the Associates of Mr. Ou.

4. Reasons for and benefits for the Continuing Connected Transactions

As stated in the Letter from the Board, the Group has been, in its ordinary and usual course of business, providing Zhenro Properties Pre-Delivery Services and Mr. Ou Pre-Delivery Services ("**Pre-Delivery Services**"), and Zhenro Properties Management Services and Mr. Ou Management Services ("**Management Services**"), together with the Pre-Delivery Services, the "**Services**") for the property projects of the Zhenro Properties Group and the Associates of Mr. Ou for a number of years.

Based on the established long-term cooperation relationship, the Group has gained thorough understanding of the conditions of the Zhenro Properties Group's residential and commercial property projects and the property projects of the Associates of Mr. Ou, and is familiarized with the strategy and requirements of the Zhenro Properties Group and the Associates of Mr. Ou. The entering into the 2023 CCT Agreements is conducive to continuous business stability of the Group and is expected to generate stable income for the Group.

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Given the reasons above, taking into consideration the pricing policy and the internal control measures that the Company has in place, the Board (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) are of the view that the 2023 CCT Agreements were entered into in the ordinary and usual course of business of the Group, and the terms of the 2023 CCT Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the Group is principally engaged in provision of property management service; (ii) the existing continuing connected transactions will be recurring in nature and similar transactions have been taking place in the past years in the ordinary and usual course of business of the Group; and (iii) the 2023 CCT Agreements can generate stable income for the Group and the continuation of the Continuing Connected Transactions will maintain the Group's business operation, we are of the view that the entering into of the 2023 CCT Agreements is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the 2023 CCT Agreements

As stated in the Letter from the Board, on 15 November 2022, (i) the Company and Zhenro Properties entered into the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement and the 2023 Zhenro Properties Management Services Framework Agreement in relation to the provision of Zhenro Properties Pre-Delivery Services and Zhenro Properties Management Services respectively by the Group to the Zhenro Properties Group; and (ii) the Company and Mr. Ou entered into the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the 2023 Mr. Ou Management Services Framework Agreement in relation to the provision of Mr. Ou Pre-Delivery Services and Mr. Ou Management Services respectively by the Group to the Associates of Mr. Ou. Principal terms of the abovesaid agreements are set out as follows:

5.1. The 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement

Duration:	1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree.
Scope:	The Group has agreed to, where it is selected following the tender processes in accordance with the relevant PRC laws and regulations, provide pre-delivery management services for residential property projects developed by the Zhenro Properties Group before the delivery of such properties to property owners (including but not limited to security, cleaning, landscaping, repair and maintenance of common areas and shared facilities).

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Pricing policy: The service fees payable by the Zhenro Properties Group to the Group for the Zhenro Properties Pre-Delivery Services shall be determined on arm's length basis and in accordance with the fee quotes to be submitted by the Group under the relevant tender bids, taking into account a wide range of factors such as (i) the nature, size and location of the property projects; (ii) the scope of services to be provided; (iii) the expected operational costs (including labour costs, material costs and administrative costs); (iv) the fees offered by the Group to other independent third parties in respect of comparable services; (v) the fees for similar services and type of projects in the market; and (vi) the pricing terms as recommended by the relevant government authorities.

5.2. The 2023 Zhenro Properties Management Services Framework Agreement

Duration: 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree.

Scope: The Group has agreed to provide management and related services to the residential property projects of the Zhenro Properties Group and the display units, sales offices and community clubhouses as well as commercial properties operated by the Zhenro Properties Group, including but not limited to cleaning, landscaping, concierge, maintenance of public order, security services and other related value-added services to the aforesaid venues

Pricing policy: The management fees payable by the Zhenro Properties Group to the Group for the Zhenro Properties Management Services shall be determined on arm's length basis taking into account a wide range of factors such as (i) the nature, age, infrastructure features, size, location and neighbourhood profile of the property projects; (ii) the scope of services to be provided; (iii) the expected operational costs (including labour costs, material costs and administrative costs); (iv) the fees offered by the Group to other independent third parties in respect of comparable services; and (v) the fees for similar services and type of projects in the market.

5.3. The 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement

Duration: 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree

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- Scope:** The Group has agreed to, where it is selected following the tender processes in accordance with the relevant PRC laws and regulations, provide pre-delivery property management services for residential property projects developed by the Associates of Mr. Ou before the delivery of such properties to property owners (including but not limited to security, cleaning, landscaping, repair and maintenance of common area and shared facilities)
- Pricing policy:** The service fees payable by the Associates of Mr. Ou to the Group for the Mr. Ou Pre-Delivery Services shall be determined on arm's length basis and in accordance with the fee quotes to be submitted by the Group under the relevant tender bids, taking into account various factors such as (i) the nature, size and location of the property projects; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including labour costs, material costs and administrative costs); (iv) the fees generally offered by the Group to other independent third parties in respect of comparable services; (v) the fees for similar services and type of projects in the market; and (vi) the pricing terms as recommended by the relevant government authorities.

5.4. The 2023 Mr. Ou Management Services Framework Agreement

- Duration:** 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed as the parties may agree.
- Scope:** The Group has agreed to provide management and related services to the residential property projects of the Associates of Mr. Ou and their display units, sales offices and community clubhouses as well as commercial properties (including office) operated or occupied by the Associates of Mr. Ou and other properties held by them for potential projects, including but not limited to cleaning, landscaping, concierge, maintenance of public order, security services and other related value-added services to the aforesaid venues
- Pricing policy:** The management fees payable by the Associates of Mr. Ou to the Group shall be determined on arm's length basis taking into account various factors such as (i) the nature, age, infrastructure features, size, location and neighbourhood profile of the properties or property projects; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including labour costs, material costs and administrative costs); (iv) the fees generally offered by the Group to other independent third parties in respect of comparable services; and (v) the fees for similar services and type of properties or property projects in the market.

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Review of the principal terms

We have reviewed the Existing CCT Agreements and the 2023 CCT Agreements, and we note that the pricing and other principal terms of (i) each of the 2023 Zhenro Properties Agreements continues to follow those of the Existing Zhenro Properties Pre-Delivery Property Management Services Agreement and Existing Zhenro Properties Management Services Agreement entered between the Company and Zhenro Properties dated 31 December 2019, and (ii) each of the 2023 Mr. Ou Agreements continues to follow those of the Existing Mr. Ou Pre-Delivery Property Management Services Framework Agreement and the Existing Mr. Ou Management Services Framework Agreement entered between the Company and Mr. Ou dated 18 June 2020.

Further, we note from the 2023 Zhenro Properties Pre-Delivery Property Management Services Agreement and the 2023 Mr. Ou Pre-Delivery Property Management Services Agreement that the management fees to be charged shall be determined based on the fee quotes to be submitted by the Group under the relevant tender bids. The fees quotes shall take into account the nature, size and location of the property projects, the service scopes and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services, the fees for similar services and types of projects in the market and the pricing terms as recommended by the relevant government authorities. For Management Services, the fees to be charged under the 2023 Zhenro Properties Management Services Agreement and 2023 Mr. Ou Management Services Agreement shall be determined after arm's length negotiations, taking into account the nature, age, infrastructure features, size, location and neighborhood profile of the commercial or residential property projects, the service scopes to be provided and the anticipated operational costs (including labor costs, material costs and administrative costs) with reference to the rates generally offered by the Group to Independent Third Parties in respect of comparable services and fees for similar services and types of projects in the market.

We have assessed the fairness and reasonableness of the pricing mechanism by obtaining and reviewing three sets of Pre-Delivery Services contracts and three sets of Management Services contracts entered into between the Group and each of the Zhenro Properties Group and the Associates of Mr. Ou, respectively, and compared against three sets of each of the Pre-Delivery Services contracts and Management Services contracts with Independent Third Parties customers based on substantially the same requirements and/or specification for each type of the Services during FY2020, FY2021 and FY2022 (the "**Review Period**") prepared by the Group under the Existing CCT Agreements. Such samples were collected randomly on a yearly basis. A total of 18 samples (the "**Sample Transactions**") were selected on a random basis which covered each of the Existing CCT Agreements and the aggregated service fees of the Sample Transactions during the Review Period was approximately RMB14.9 million, with the lowest and highest yearly service fee ranging from approximately RMB95,000 to approximately RMB0.9 million and RMB0.4 million to approximately RMB2.5 million, for Pre-Delivery Services and Management Services, respectively. According to the samples collected, we note that the

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services fees for Pre-Delivery Services were calculated by the unit price per sq.m. and such unit price per sq.m. charged by the Group to Zhenro Properties Group and the Associates of Mr. Ou were not lower than that charged by the Group to the Independent Third Parties customers. For Management Services, the monthly services fees as stated in the contracts include (a) the basic management fee determined by the location of the project site and the service type, and (b) the estimated cost of services based on number of labours required and the other miscellaneous expenses. Based on the samples collected, the same schedule of basic management fee applied in the contracts of Services offered to each of Zhenro Properties Group, the Associates of Mr. Ou and the Independent Third Parties and the estimated cost of services for the projects of similar nature were similar. For the pricing policy of the Sample Transactions, we note that it is in line with the Group's pricing policy as set out above that the service fees of the Pre-Delivery Services and the Management Services will be determined with reference to, among others, the prevailing market price (taking into account the scope of services and the anticipated operation costs to be incurred, and the fees to be charged for the Pre-Delivery Services shall not be higher than the guidance price of such services for similar type of property projects issued by the local government. We have performed desktop research on the relevant local government's website and compare against the Sample Transactions we obtained as abovementioned, we noted that the fees charged by the Company for Pre-Delivery Services have generally followed the guidance price as stipulated by the respective local government.

We also note from the relevant contracts as contemplated under the Sample Transactions that: (a) for the Management Services, the fees to be charged to Zhenro Properties Group and the Associates of Mr. Ou are generally required to be settled within 15 or 30 working days from the date of invoice, which are in line with the Group's payment terms offered to Independent Third Parties customers under similar conditions and the market practice; and (b) for the Pre-Delivery Services, the payment terms range from monthly payment to be settled before the 10th day of every month of service to yearly payment to be settled before the 10th day of every year of service. As advised by the Management, the Group may charge property management fees on an annual, quarterly or monthly basis, depending on the terms of the property management service agreements. The Group typically demand payment for its management services upon receipt of the demand note by property owners and residents which, according to CIA, is consistent with the property management industry norm in the PRC. In this regard, the payment terms offered to the Zhenro Properties Group and the Associates of Mr. Ou for the Continuing Connected Transactions are no less favourable to the Group than those offered to the Independent Third Parties customers.

We have also selected and reviewed six sample invoices ("**Sample Invoices**") in relation to the Sample Transactions under the Existing CCT Agreements, which covered the Pre-Delivery Services and Management Services with both Zhenro Properties Group and the Associates of Mr. Ou. We note that the payment terms on the Sample Invoices were consistent with those as stipulated in the relevant contracts of the Sample Transactions, and the relevant service fees of four Sample Invoices were received by the Group according to the respective payment terms while two Sample Invoices were late

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settled for 33 days and 96 days, respectively. As advised by the management of the Company, the Company had taken various actions to request for the payment of the above late settled Sample Invoices including but not limited to (i) the Company's finance department has monthly reviewed the payment status of invoices and prepared and submitted a summary (which included the payment status) to the senior management of the Company for review and follow up; (ii) under the supervision and instruction of the senior management of the Company upon the review of the aforementioned summary, the Company has sent a written notification to the Associates of Mr. Ou as the reminder for Associates of Mr. Ou to settle the past due invoices earliest possible; and (iii) the Company's finance department has submitted aging analysis on the accounts receivables of the Group to the risk management, compliance department and the management of the Company for review at least every six months and at the end of the year. We are also given to understand that the above actions were in line with the Company's internal control policies and measures and were also applicable to those past due invoices of independent third parties.

It is noticed that there was historical late settlement under the Existing CCT Agreements, nonetheless, we are of the view that such incidents shall not have adverse impact to the fairness and reasonableness of the 2023 CCT Agreements and the interests of the Company and its Shareholders after taking into consideration the following factors (i) the aforementioned delay in the settlement by Zhenro Properties Group and the Associates of Mr. Ou were relatively short; (ii) as disclosed in the 2022 Interim Report, the trade receivables of the Company ranged from 0-3 years as at 30 June 2022, meanwhile, the trade receivables due from related companies were all within 1 year; (iii) due to the unfavourable market factors affecting the property industry in China, the temporary adjustments on the credit period and policy was adopted with the primarily objective of preserving the business relationship with current clients and for the long term business development of the Group, which is believe to be in the best interests of the Company and its shareholders; (iv) as informed by the Company, the then temporary adjustments were also made available to transactions of other Independent Third Parties under similar circumstances and with reference to the same set of consideration factors, as such we agree with the view of the Board that the adjustments made in respect of to the Zhenro Properties Group and the Associates of Mr. Ou are on terms that are not more favourable to the Zhenro Properties Group and the Associates of Mr. Ou than terms offered to other Independent Third Parties by the Group; (v) as part of the internal control measures for continuing connected transactions adopted by the Company, the external and independent review conducted by independent non-executive Directors and auditors are able to safeguard and ensure Company's continuing connected transactions are conducted in compliance with requirements of the Listing Rules; and (vi) the recovering actions taken by the Company on the past due invoices as mentioned in the above.

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According to the internal control procedures as set out in the subsection headed “Internal Control Measures for Continuing Connected Transactions” in the Letter from the Board, (i) the finance department of the Company will regularly examine the pricing terms by collecting relevant market information, and conduct periodic review on the historical and current quotations offered to Independent Third Parties; (ii) before entering into any individual agreement in connection with the 2023 CCT Agreements, the finance department of the Company will obtain at least two comparable transactions conducted between the Group and Independent Third Parties in order to ensure that the terms of the Continuing Connected Transactions conducted under the 2023 CCT Agreements are on normal commercial terms and on terms not more favourable to the Associates of Mr. Ou or Zhenro Properties Group (as the case may be) than those offered to Independent Third Parties by the Group; and (iii) the relevant definitive agreement together with the relevant supporting documents will be approved by the risk management and compliance department of the Company. For our independent review working of the Group’s internal control procedures carried out under the term of the Existing CCT Agreements, please refer to the section headed “6. Internal control procedures and review of the Continuing Connected Transactions” below.

Based on the above, we are of the view that the pricing and other terms of the 2023 CCT Agreements are on normal commercial terms which are no less favourable to the Group than those available from other Independent Third Parties customers.

Historical actual transactions amount

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the Services for FY2020, FY2021 and for the nine months (“9M”) ended 30 September 2022; (ii) the annual caps for each of FY2020, FY2021 and FY2022 in respect of the Existing CCT Agreements; and (iii) the respective utilisation rates of the annual caps for each of FY2020, FY2021 and FY2022 in respect of the Existing CCT Agreements.

Table 4: The existing annual caps and the historical actual transaction amounts of the Services for FY2020, FY2021 and 9M2022

	FY2020	FY2021	9M2022
	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>
Historical transaction figures:			
– Zhenro Properties Pre-Delivery Services	16.1	8.6	13.3
– Mr. Ou Pre-Delivery Services	1.0	2.8	2.0
– Zhenro Properties Management Services	232.1	259.0	74.6
– Mr. Ou Management Services	59.8	94.5	30.1
	<u>309.0</u>	<u>364.9</u>	<u>120.0</u>
Total historical transaction figures	<u>309.0</u>	<u>364.9</u>	<u>120.0</u>
Existing approved annual caps	416.2	464.8	513.1
Utilisation rates (%)	74.2	78.5	(for FY2022) 23.4

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the historical actual transaction amount of the Services increased by approximately 18.1% from approximately RMB309.0 million for FY2020 to approximately RMB364.9 million for FY2021. We noted that the utilisation rates of the Services for the historical annual caps for FY2020 and FY2021 are relatively high in general, representing approximately 74.2% and 78.5% respectively. The historical actual transaction amount of the Services for 9M2022 amounted to approximately RMB120.0 million, representing a utilisation rate of approximately 23.4% of the existing annual cap of RMB513.1 million for FY2022. Should the historical actual transaction amount of the Services for 9M2022 be annualised, the projected transaction amount of the Services for FY2022 would amount to approximately RMB160.0 million, representing an utilisation rate of approximately 31.2%. As advised by the Management, the relatively low utilisation rate of the Services for the annual cap for 9M2022 was mainly due to the decrease in demand for the Zhenro Properties Management Services as a result of the decrease in the number of residential projects invested and developed by the Zhenro Properties Group.

As stated in the Letter from the Board, the table below sets out the proposed annual cap in respect of the Services for each of the FY2023, FY2024 and FY2025.

Table 5: The proposed annual caps of the Services for FY2023, FY2024 and FY2025

	FY2023	FY2024	FY2025
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
2023 Zhenro Properties Pre-Delivery Property Management Services Agreement	20.0	20.0	20.0
2023 Mr. Ou Pre-Delivery Property Management Services Agreement	3.0	3.0	3.0
2023 Zhenro Properties Management Services Agreement	50.0	50.0	50.0
2023 Mr. Ou Management Services Agreement	25.0	25.0	25.0
	<u> </u>	<u> </u>	<u> </u>
Total	<u>98.0</u>	<u>98.0</u>	<u>98.0</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis for determining the proposed annual cap of the Services

As stated in the Letter from the Board, the proposed annual cap in respect of the Services was determined by reference to:

Pre-Delivery Services

- (i) the historical transaction amounts of service fees in respect of Pre-Delivery Services provided by the Group to the Zhenro Properties Group and the Associates of Mr. Ou, respectively;
- (ii) the expected volume of Pre-Delivery Services required to be provided by the Group to the Zhenro Properties Group and the Associates of Mr. Ou, respectively, for the three years ending 31 December 2025; and
- (iii) the expected rate of the service fees to be charged by the Group for provision of the Pre-Delivery Services.

Management Services

- (i) the historical transaction amounts of service fees in respect of Management Services provided by the Group to the Zhenro Properties Group and the Associates of Mr. Ou, respectively;
- (ii) the expected volume of Management Services required to be provided by the Group to the Zhenro Properties Group and the Associates of Mr. Ou, respectively, for the three years ending 31 December 2025;
- (iii) the expected rate of the service fees to be charged by the Group for provision of the Management Services; and
- (iv) with respect to the Zhenro Properties Management Services, the expected decrease in demand as a result of the disposal of certain residential projects, the expected decrease in the number of residential projects to be invested and developed by the Zhenro Properties Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Caps Calculation

In assessing the reasonableness of the proposed annual cap of the Services, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the proposed annual caps of the Services. We have also reviewed a calculation schedule prepared by the Management in relation to the annual caps in respect of the Continuing Connected Transactions (the “**Caps Calculation**”) which is mainly based on the followings:

Pre-Delivery Services

- (i) *The expected transaction amounts of the Pre-Delivery Services for the existing property projects of the Zhenro Properties Group and the Associates of Mr. Ou (the “Existing Pre-Delivery Services Projects”)* – the proposed annual cap in respect of the Pre-Delivery Services is primarily projected based on the transaction amounts of the Existing Pre-Delivery Services Projects which the Group was engaged in during the third quarter of 2022 (“**2022Q3**”), and which are expected to continue in FY2023 based on the contract validity period or the Management’s understanding. We note from the Caps Calculation that the Group was engaged in 77 and 8 Existing Pre-Delivery Services Projects in relation to the Zhenro Properties Pre-Delivery Services and Mr. Ou Pre-Delivery Services, respectively, in 2022Q3 and the total transaction amount of these Existing Pre-Delivery Services Projects (except one which was ended in during 2021) for FY2023 is expected to be approximately RMB18.2 million and RMB2.7 million for Zhenro Properties Group and the Associates of Mr. Ou, respectively; and
- (ii) *Potential future demand* – Furthermore, we understand from the Management that a 10% of buffer has been applied as the Management has, to the extent possible, factored in the historical fluctuations and the potential future demand of the Group’s Pre-Delivery Services from properties under development of Zhenro Properties Group and the Associates of Mr. Ou, with a view to avoid a situation whereby the proposed annual caps may become insufficient and lead to the possibility of a cessation of or suspension in tendering the Pre-Delivery Services in a short period of time and cause undue disruption to the subject projects. Such possible temporary cessation or suspension in participating in new potential projects may be unduly burdensome and/or lengthy as it may subject to further administrative and/or approval procedures of two separate listed companies, where required, such would not be in the interests of the Company’s operations or reputation.

Management Services

- (i) *The expected transaction amounts of the Management Services for the existing property projects of the Zhenro Properties Group and the Associates of Mr. Ou (the “Existing Management Services Projects”)* – the proposed annual cap in respect of the Management Services is primarily projected based on the transaction amounts for the Existing Management Services Projects which the Group was engaged in during 2022Q3, and which are expected to continue in FY2023 based on the contract validity period or the Management’s understanding. We note from the Caps

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Calculation that there are 83 and 43 Existing Management Services Projects in relation to the Zhenro Properties Management Services and the Mr. Ou Management Services in 2022Q3 and the total transaction amount of these Existing Management Services Projects (except certain projects which the Group had been informed that such services will no longer be required in FY2023) for FY2023 is expected to be approximately RMB45.4 million and RMB22.7 million for Zhenro Properties Group and the Associates of Mr. Ou, respectively; and

- (ii) *The historical actual transaction amounts of the Management Services and potential future demand* – as abovementioned under “Table 4: The existing annual caps and the historical actual transaction amounts of the Services for FY2020, FY2021 and 9M2022”, the historical actual transaction amounts of the Management Services fluctuated over the FY2020, FY2021 and 9M2022. As advised by the Management, the demand for the Zhenro Properties Management Services is expected to decrease owing to the disposal of certain residential projects and the decrease in the number of residential projects to be invested and developed by the Zhenro Properties Group. As a result, the Management has estimated a reduction of annual cap to RMB75.0 million in aggregate for the Zhenro Properties Management Services and Mr. Ou Management Services for each of the year ending 31 December 2023, 2024 and 2025, as compared to the aggregated annual cap of RMB486.0 million for the year ending 31 December 2022. The Management has assessed the future demand of the Group’s Management Services to Zhenro Properties Group and the Associates of Mr. Ou by considering factors, including but not limited, the numbers and area of properties under development, total contracted GFA sold, land reserves, etc. With reference to the 2022 interim report of Zhenro Properties, construction is estimated to be completed during the period from 2023 to 2025 for 49 property projects of Zhenro Properties Group, its joint ventures and associated companies under development with a total site area of 4.4 million sq. m., and for the six months ended 30 June 2022, the Zhenro Properties Group, together with its joint ventures and associated companies, recorded total contracted GFA sold amounted to approximately 1.3 million sq.m. We understand from the Management that a 10% of buffer, in addition to the projected transaction amounts for the Existing Management Services Projects, has been applied as the Management has, to the extent possible, factored in the aforesaid historical fluctuations and the potential future demand of the Group’s Management Services from properties underdevelopment of Zhenro Properties Group and the Associates of Mr. Ou, with a view to avoid a situation whereby the proposed annual caps may become insufficient and lead to the possibility of a cessation of the Management Services in a short period of time and cause undue disruption to the subject projects. Such possible temporary cessation or suspension in participating in new potential projects may be unduly burdensome and/or lengthy as it may subject to further administrative and/or approval procedures of two separate listed companies, where required, such would not be in the interests of the Company’s operations or reputation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the basis on which the proposed annual cap of the Services are determined as described above, we are of the view that the proposed annual cap is fair and reasonable so far as the Independent Shareholders are concerned.

6. Internal control procedures and review of the Continuing Connected Transactions

The Group has adopted certain internal control measures over the conduct of the Continuing Connected Transactions. Details of the internal control system are set out in the section headed “Internal Control Measures for Continuing Connected Transactions” in the Letter from the Board. The Management consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2023 CCT Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Based on the above, we have understood the internal control procedures of the Group and noted that there are stringent controls in the transaction approval and implementation process, including but not limited to: (i) an interim and a yearly reports on the connected transactions of the Group will be submitted by the finance department of the Company to the Management for review; (ii) the finance department of the Company will monitor regularly the actual transactions amount contemplated under the 2023 CCT Agreements to ensure the proposed annual caps will not be exceeded; (iii) the senior management of the Company is responsible for supervising and monitoring the adoption of the internal control procedures to ensure that the actual transaction amount is within the respective annual cap. Therefore, we are of the view that appropriate internal control procedures are in place to prevent the proposed annual caps from being exceeded.

In addition, we have obtained six sample contracts (“**Sample Contracts**”) in relation to Pre-Delivery Services and Management Services contemplated under the Existing CCT Agreements covering the transactions with both Zhenro Properties Group and the Associates of Mr. Ou and we note that the pricing terms of the Sample Contracts were checked by the finance department of the Company with reference to those of similar services with independent customers as to make sure the pricing terms would not be less favourable than the prices charged to independent customers on similar terms. Besides, the Sample Contracts were reviewed and approved by the risk management and compliance department of the Company before the individual contract was entered into.

Review by the external auditors and the independent non-executive Directors

Pursuant to Rule 14A.56 of the Listing Rules, the Company must engage its external auditors to review the continuing connected transactions annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant caps have been exceeded. With reference to the 2020 Annual Report and the 2021 Annual Report, we note that the auditor of the Company has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions under the Existing CCT Agreements during such years (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) have exceeded the respective annual cap.

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Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors must review annually the continuing connected transactions and confirm in the Company's annual report whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. We note the independent non-executive Directors have issued such confirmation in respect of the historical transactions in the 2020 Annual Report and the 2021 Annual Report.

Based on the above, we are of the view that the implementation of the above internal control procedures can ensure that the pricing terms of the Continuing Connected Transactions can be on normal commercial terms, fair and reasonable, and in particular, on terms that are no less favourable to the Group than those offered to the Independent Third Parties customers and that the Continuing Connected Transactions can be conducted as agreed in the 2023 CCT Agreements and in compliance with Chapter 14A of the Listing Rules.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the 2023 CCT Agreements, together with the proposed annual caps, has been entered into on normal commercial terms, in the ordinary and usual course of the business of the Group and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned, (ii) the entering into of the 2023 CCT Agreements is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the 2023 CCT Agreements, the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited
Alfred Wu
Managing Director

Mr. Alfred Wu ("Mr. Wu") is a responsible officer of Fortune Financial Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wu has over 10 years of experience in corporate finance advisory in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

(c) Directors' interest in contracts and assets of the Group and other interests

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

As at the Latest Practicable Date none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

3. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Fortune Financial Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO

As at the date of this circular, the above-mentioned expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above-mentioned expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above-mentioned expert did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, being the date to which the latest audited financial statements of the Group was made up.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the website of the Stock Exchange at www.hkexnews.com and the website of the Company at www.zhenrowy.com for a period of 14 days from the date of this circular:

- (1) the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement;
- (2) the 2023 Zhenro Properties Management Services Framework Agreement;
- (3) the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement; and
- (4) the 2023 Mr. Ou Management Services Framework Agreement.

6. MISCELLANEOUS

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ZHENRO 正榮服務

Zhenro Services Group Limited

正榮服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6958)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Zhenro Services Group Limited (the “**Company**”) will be held at 2/F, Building 7, Hongqiao Zhenro Center, 666 Shenhong Road, Minhang District, Shanghai, PRC, on Wednesday, 18 January 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement (as defined in the circular of the Company dated 30 December 2022 (the “**Circular**”)) and the transactions and proposed annual caps contemplated thereunder be and are hereby confirmed and approved; and the directors of the Company (the “**Directors**”) be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the 2023 Zhenro Properties Pre-Delivery Property Management Services Framework Agreement.”
2. “**THAT** the 2023 Zhenro Properties Management Services Framework Agreement (as defined in the Circular) and the transactions and proposed annual caps contemplated thereunder be and are hereby confirmed and approved; and the Directors be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the 2023 Zhenro Properties Management Services Framework Agreement.”
3. “**THAT** the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement (as defined in the Circular) and the transactions and proposed annual caps contemplated thereunder be and are hereby confirmed and approved; and the Directors be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the 2023 Mr. Ou Pre-Delivery Property Management Services Framework Agreement.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “**THAT** the 2023 Mr. Ou Management Services Framework Agreement (as defined in the Circular) and the transactions and proposed annual caps contemplated thereunder be and are hereby confirmed and approved; and the Directors be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the 2023 Mr. Ou Management Services Framework Agreement.”

By order of the Board
Zhenro Services Group Limited
Huang Xianzhi
Chairman

Hong Kong, 30 December 2022

Notes:

1. All resolutions set out in this notice will be put to vote by way of poll at the EGM pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Accordingly, each of the resolutions to be proposed at the EGM will be put to vote by way of poll, pursuant to Article 72 of the Articles of Association. Article 79 of the Articles of Association provides that on a poll, every shareholder present in person or by proxy shall have one vote for each share registered in his name in the register. An explanation of the detailed procedures of voting by poll will be provided to the shareholders at the EGM. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.zhenrowy.com).
2. A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or not less than 48 hours before the time appointed for the holding of any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish and in such event, such form of proxy shall be deemed to be revoked.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 13 January 2023 to Wednesday, 18 January 2023 (both days inclusive), during which period no share transfers can be registered. In order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificate(s) and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 12 January 2023.

As at the date of this notice, Mr. Lin Xiaotong and Mr. Kang Hong are the executive Directors; Mr. Huang Xianzhi and Mr. Liu Weiliang are the non-executive Directors; and Mr. Ma Haiyue, Mr. Au Yeung Po Fung and Mr. Zhang Wei are the independent non-executive Directors.